

DOCUMENT RESUME

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[Government Should Recover Cost of Processing Airline Passengers Not on Official Business]. LCD-76-230; B-133025. May 11, 1977. 4 pp. + 1 enclosure (1 pp.).

Report to Harold Brown, Secretary, Department of Defense; by Fred J. Shafer, Director, Logistics and Communications Div.

Issue Area: Facilities and Material Management: Federal Transportation of Things (704); Personnel Management and Compensation (300).

Contact: Logistics and Communications Div.

Budget Function: National Defense: Department of Defense - Military (except procurement & contracts) (051).

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Authority: Airport and Airway Revenue Act of 1970.

From fiscal year (FY) 1968 through the first quarter of FY 1976, some 2.8 million people not on official business traveled free on Department of Defense-controlled aircraft. These individuals were mainly active-duty or retired military members and their dependents who traveled worldwide for personal reasons on a space-available basis. Findings/Conclusions: Based on an average processing cost at military air terminals of \$17 per person, the cost in FY 1975 to handle 460,000 space-available was \$7.8 million. The Air Force also pays a \$3 departure tax for each passenger leaving the U.S. on commercial aircraft. Space-available passengers have not been charged for terminal processing or departure tax. In 1976 GAO recommended collecting a service charge for terminal processing using the inflight meal collection system. The Assistant Secretary of Defense agreed with collecting the departure tax, but not a processing fee, because he maintained that no additional staffing or costs are required for space-available passengers. Recommendations: The Secretary of Defense should reconsider the Department's position. Assessing a nominal processing charge would assure continuation of full space-available benefits without adding to Government costs, and would eliminate the need to further reduce terminal staffing. (DJH)



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS  
DIVISION

MAY 11 1977

B-133025

The Honorable  
The Secretary of Defense

Dear Mr. Secretary:

About 2.8 million individuals not on official duty traveled free on Department of Defense-controlled aircraft from fiscal year 1968 through the first quarter of fiscal year 1976. Most of these individuals were active-duty or retired military members and their dependents traveling worldwide for personal reasons on a space-available basis.

Although the percentage of non-duty passengers traveling free on Department of Defense-controlled aircraft has increased from about 9 percent in fiscal year 1968 to about 24 percent in fiscal year 1975, the total number of space-available passengers has remained fairly constant. A table showing the number of passengers airlifted each year from 1968 through the first quarter of 1976, the number of space-available passengers, and the percentage of total passengers that space-available travelers represent is included as an enclosure to this letter.

Passengers traveling on a space-available basis composed a significant portion of the passenger processing workload at MAC terminals. We did not attempt to identify the incremental costs involved in processing space-available passengers. However, based on the average cost to process a passenger at military air terminals (\$17), the cost to process the 460,000 space-available passengers handled in fiscal year 1975 was about \$7.8 million.

In addition, the Air Force pays a \$3 tax under the Airport and Airway Revenue Act of 1970 for each passenger departing the United States on commercial aircraft. Total payments since 1970 for passengers not on official business have amounted to about \$850,000. Space-available passengers were not charged for terminal processing, nor were they asked to reimburse the Air Force for the tax paid on their behalf.

LCD-76-230

We pointed out, in a draft report dated June 3, 1976, that commercial airlines recover a nominal fee from their employees for any space-available transportation they are provided. The airlines said the charge was made in an attempt to recover passenger processing costs and applicable taxes. We suggested that the Defense Department consider collecting from space-available passengers a service charge for terminal processing. We also suggested that the Defense Department collect the \$3 tax from these travelers.

We also pointed out that the present collection system established to collect money for inflight meals on military aircraft could be used to collect the processing and tax cost. Terminal and base financial officials informed us that the collection of a service charge from space-available passengers, utilizing the inflight meal system, would result in little or no increase in their workloads.

Commenting on our report, the Assistant Secretary of Defense (Comptroller) agreed to collect the \$3 tax from each space-available passenger departing the United States on commercial flights. He said that any additional cost incurred in collecting the tax would also be collected by adding a surcharge.

The Assistant Secretary did not agree with our position that a service charge for terminal processing should be collected from passengers traveling space-available. His position was that no additional costs over those needed to process official duty passengers should be incurred for the handling of space-available passengers. He said that this position is in consonance with the Air Force's assurances that its terminals are staffed to accommodate only the space-required passengers. Further, he said that the Defense Department would maintain surveillance over the staffing of terminals to assure that the processing of space-available passengers is not used as a basis to incur additional costs to the Defense Department.

We believe that the position taken by the Assistant Secretary could result in a significant curtailment of a long-standing fringe benefit. The argument that space-available passengers can be processed at no extra cost ignores the total volume of space-available passengers as well as the amount of work required to process such passengers.

As mentioned earlier, the percentage of space-available passengers compared to total passengers airlifted by MAC has risen continuously from 9 percent in fiscal year 1968 to 24 percent in fiscal year 1975--the last year for which we have complete figures. Moreover, for the 3-month period ending September 30, 1976, records of MAC's 21st Air Force show that the space-available workload represented 40 percent or more of the total workload at 17 of its terminals. At one such terminal, Dover Air Force Base, which is basically a cargo terminal, 44 passenger processing personnel handled 999 official duty and 1,660 (62 percent) space-available passengers during the aforementioned 3-month period. Taking away the space-available workload leaves the highly questionable practice of keeping a passenger terminal open 24 hours a day, 7 days a week, to accommodate an average of 11 official-duty passengers a day.

If the Defense Department and the Air Force maintain their position that its terminals are to be staffed to accommodate only space-required passengers, we are confident that an indepth staffing study will result in a reduction of terminal processing spaces and necessitate a curtailment of space-available travel. We believe a more reasonable position would be to assess a service charge to cover terminal processing costs as administered by commercial airlines to their employees.

We therefore recommend that you reconsider the Defense Department's position. Assessing a nominal processing charge would assure continuation of full space-available benefits without adding to Government costs, and would eliminate the need to further reduce terminal staffing.

With respect to the amount of the service charge--we did not attempt to establish incremental costs incurred in processing space-available passengers. Such costs would vary widely between terminals and would require significant amounts of time and labor to compute. Rather, we envision a reasonable service charge to be more easily determinable, computed from a model such as the average cost to process a passenger through MAC terminals.

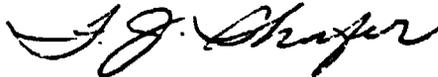
As long as there are unused seats that could be used by space-available passengers we see no reason to jeopardize a longstanding fringe benefit if Government costs are not increased. Given a choice between curtailment of the benefit, or paying a nominal service charge, we are certain travelers would select the latter option.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report, and to the House and Senate Committees on Appropriations with the agency's first requests for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget; the Chairman, the House Committee on Government Operations; the Chairman, the Senate Committee on Governmental Affairs; the House and Senate Committees on Appropriations, and Armed Services; and the Secretaries of the Army, Navy, and Air Force.

Sincerely yours,



F. J. Shafer  
Director

Enclosure

<u>Fiscal year</u>	<u>Total passengers airlifted (note a)</u>	<u>Passengers provided space-available transportation</u>		<u>Percent of total passengers</u>
		<u>On MAC-controlled aircraft (note b)</u>	<u>On other Defense-controlled aircraft</u>	
----- (000 omitted) -----				
1968	2,978	278	(c)	9%
1969	3,256	336	(c)	10
1970	3,263	373	(c)	11
1971	2,906	360	(c)	12
1972	2,243	336	(c)	15
1973	1,721	310	(c)	18
1974	1,438	286	(c)	20
1975	1,863	305	155	24
1976	<u>472</u>	<u>66</u>	<u>34</u>	21
(note d)				
<b>Total</b>	<u>20,160</u>	<u>2,650</u>	<u>189</u>	14% (average)

a/Includes Defense Department passengers provided transportation on scheduled commercial flights.

b/Military Airlift Command.

c/Prior to 1975, records were not maintained on space-available travelers using other than MAC-controlled aircraft.

d/First quarter.